

## **Attachment 7: Federal Employees' Compensation Act (FECA) Guidance**

### **Background**

The FECA is administered by the Department of Labor (DOL), Office of Workers' Compensation Programs (OWCP). The 12 OWCP district offices adjudicate the claims and pay benefits, and the costs of those benefits are charged back to the employing agency.

The rules applicable to filing, processing, and paying FECA claims are set forth under 20 CFR Part 10. OWCP revised the regulations and the final rules were issued in the Federal Register November 25, 1998. Two corrections were made to the final rules and were issued in *The Federal Register* on December 23, 1998, and March 12, 1999.

OWCP issued publication CA-810, Injury Compensation for Federal Employees; A Handbook for Employing Agency Personnel to help agencies as they assist their injured employees and manage their program costs.

The Department of Defense (DoD), under the authority of DoD Directive 1400.25, reissued the "Department of Defense Civilian Personnel Manual (CPM)." The CPM implements policy, establishes uniform DoD-wide procedures, provides guidelines and model programs, delegates authority, and assigns responsibilities regarding civilian personnel management within the DoD. The CPM, Subchapter 810, provides DoD-wide policy and guidance regarding Injury Compensation. See website [www.cpms.osd.mil/icuc/icuc.htm](http://www.cpms.osd.mil/icuc/icuc.htm) for links to FECA guidance. Additional information may also be found in the DoD Financial Management Regulation, DoD 7000-14R, Volume 3, Chapter 8, and Volume 6B, Chapter 10.

### **PART 1 – FECA ACTUARIAL INFORMATION**

#### **Annual Action Required to the Other Actuarial Liability and Expense Accounts**

The FECA actuarial liability includes the expected liability for death, disability, medical, and other approved costs. It is estimated using the paid-loss extrapolation method. This method uses historical benefit payment patterns related to a specific incurred period to predict the entire payments related to that period. The payments are discounted to present value.

The DOL sends each Department the actuarial liability estimates for future workers' compensation benefits amounts for both the current and prior years. The current year figure is what the new balance in the Actuarial FECA Liability Account (2650 Public) should be after the source data (DOL information) journal voucher entry is completed by the entity. This is an entry for a change in accounting estimate, and is strictly proprietary. The expense is determined by comparing the current-year amount to the prior-year amount. DOL cannot provide source data below the Department level (Department of Army, Department of Navy, Department of Air Force, DoD – Other). This information will be provided to the DFAS Sites by DFAS-AR. DFAS-AR will provide each Site with

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a spreadsheet allocating those amounts to the entity level using a 3-year average for the last three annual chargeback bills.

### Journal Voucher Entries

7600N	CHANGE IN ACTUARIAL LIABILITY (UNFUNDED)
2650N	ACTUARIAL FECA LIABILITY
<i>To record an increase in FECA actuarial liability</i>	

**OR**

2650N	ACTUARIAL FECA LIABILITY
7600N	CHANGE IN ACTUARIAL LIABILITY (UNFUNDED)
<i>To record an decrease in FECA actuarial liability</i>	

*Note: The USSGL account 7600 normal balances may be either debit or credit to reflect the amount of increase or decrease in actuarial liability. For DDRS purposes, account 7600 is presented as a debit. If there is a decrease, the amount must be entered as a negative.*

### Journal Voucher Entry Support

The following support must be included with the Actuarial Liability entry:

1. The DOL Memorandum for Chief Financial Officers of Executive Departments and Agencies, which contains the actuarial balances.
2. DFAS-AR allocation spreadsheet reflecting the percentage allocation to the entity level.
3. A copy of the last three annual chargeback bills for the department level.

## **PART 2 – FECA LIABILITY**

Workers' Compensation claims are submitted to, and approved by, the Department of Labor (DOL). DOL pays the claim holders. DOL then prepares a chargeback billing to the responsible Agencies. P.L. 93-416, Section 8147 (the FECA law) essentially gives Agencies 2 years to pay the chargeback bill; thereby allowing time for the applicable amount to be included in budget submissions. Therefore, there should be an unfunded liability in the AFS for these 2 years (bills are for periods July 01 – June 30), plus an accrual for the 4<sup>th</sup> quarter of the current FY. This amount may be split into a current portion for the amount to be paid in the next FY and a non-current portion for the remaining amount. Pursuant to the FECA law, once funding is received, it should be paid within 30 days. If DoD still has amounts outstanding after this 30-day period, these amounts are delinquent and should be reflected as a funded liability with an explanation.

*Note: Account 6850 – Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated) shall be used in place of Account 6800 – Future Funded Expenses.*

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### Example of Calculating the FECA liability and FECA expense for FY 2005

#### ***INFORMATION:***

<b>Annual FECA Chargeback Bill for 7/1/02 – 6/30/03 (pay in 05)</b>	<b>15,000,000</b>
Annual FECA Chargeback Bill for 7/1/03 – 6/30/04 (pay in 06)	18,000,000
Annual FECA Chargeback Bill for 7/1/04 – 6/30/05 (pay in 07)	20,000,000
Quarterly FECA Chargeback Report for 7/1/05 – 9/30/05	3,000,000
<b>UNFUNDED FECA LIABILITY FOR FY 2005</b>	<b>41,000,000</b>
Less: Unfunded FECA liability for FY 2004 (from 2004 AFS)	(37,000,000)
<b>FY 2005 UNFUNDED FECA EXPENSE</b>	<b>4,000,000</b>
Annual FECA Chargeback Bill for 7/1/04 – 6/30/05	20,000,000
Less: Quarterly FECA Chargeback Report for 7/1/04 – 9/30/04	(4,000,000)
Add: Quarterly FECA Chargeback Report for 7/1/05 – 9/30/05	3,000,000
<b>FY 2005 TOTAL FECA EXPENSE</b>	<b>19,000,000</b>

#### ***JOURNAL ENTRIES FOR FY 2005:***

<i>ENTRY TO RECLASSIFY UNFUNDED ACCRUED FECA LIABILITY AND EXPENSE TO FUNDED ACCRUED FECA LIABILITY AND EXPENSE FOR THE ANNUAL FECA CHARGEBACK 7/1/02 – 6/30/03:</i>			
2225F(16)	Unfunded FECA Liability		15,000,000
FECA			
2215F(16)	Other Post-Employment Benefits Due and Payable		15,000,000
FECA			
6400F(16)	Benefits Expense		15,000,000
FECA			
6850F(16)	Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated)		15,000,000
FECA			
3107	Unexpended Appropriations - Used		15,000,000
5700	Expended Appropriations		15,000,000
4610	Allotments – Realized Resources		15,000,000
4901	Delivered Orders – Obligations, Unpaid		15,000,000

<i>ENTRY TO RECORD PAYMENT TO DOL FOR ANNUAL FECA CHARGEBACK 7/1/02 – 6/30/03 (ASSUMES PAYMENT IN FULL):</i>			
2215F(16)	Other Post-Employment Benefits Due and Payable		15,000,000
FECA			
1010	Fund Balance with Treasury		15,000,000
4901	Delivered Orders – Obligations, Unpaid		15,000,000
4902	Delivered Orders – Obligations, Paid		15,000,000

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### *ENTRY TO RECORD ACCRUED FECA EXPENSE FOR FY 2005:*

6850F(16) FECA	Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated)	19,000,000
2225F(16) FECA	Unfunded FECA Liability	19,000,000

### ***TRIAL BALANCE EFFECTS – DR/(CR):***

	<b>Beginning 10/1/04</b>	<b>Pre-closing 9/30/05</b>
4610 Allotments – Resources Realized		15,000,000
4902 Delivered Orders, Obligations, Paid		(15,000,000)
2225F(16) FECA – Unfunded FECA Liability	(37,000,000)	(41,000,000)
3310 – Cumulative Results of Operations	37,000,000	37,000,000
5700 – Expended Appropriations		(15,000,000)
6400F(16) FECA – Benefit Expense		15,000,000
6850F(16) FECA – Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated)		4,000,000

### **Standard Journal Voucher Entries**

Effective July 1, 2004, the Data Collection Module (DCM) will prepare eight standard journal voucher (JV) entries for the FECA liability and expense amounts that will interface with the DDRS-AFS System, if this option is selected. These standard entries will record the (1) reclassification of the unfunded accrual liability and expense for the annual chargeback; (2) reversal of the prior year new unfunded “quarter-after” bill amount; (3) reversal of the prior year “accrued unbilled amount”; (4) new unfunded amount; (5) new “quarter-after” amount; (6) accrued expense for the current fiscal year, (7) current fiscal year funded amount, and (8) payment to DOL for the annual chargeback for the second prior fiscal year.

If personnel preparing the financial statements choose not to use the above “standard JV option” in the DCM, journal entries for DDRS-AFS must reflect the “FECA” attribute. Also, “*Data Call*” should be selected as the JV category since this entry will represent the source data. This entry is completely supported.

### **Journal Entry Support**

The following support will be included for the above entries:

1. A copy of the Annual FECA Chargeback Bill for July 1, 2002 – June 30, 2003
2. A copy of the Annual FECA Chargeback Bill for July 1, 2003 – June 30, 2004
3. A copy of the Annual FECA Chargeback Bill for July 1, 2004 – June 30, 2005
4. A copy of the Quarterly FECA Chargeback Report for July 1, 2004 – September 30, 2004
5. A copy of the Quarterly FECA Chargeback Report for July 1, 2005 – September 30, 2005

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### **For Interim Reporting**

The quarterly chargeback report from DOL will be used to accrue proper amounts for each period. The quarterly chargeback reports from DOL are cumulative through each quarter reported and the fourth quarterly chargeback report from DOL will match the annual FECA chargeback bill.